

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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Investigation by the Department of)	
Telecommunications and Energy on its own)	
motion into compliance by electric companies)	Docket D.T.E. 98-77
with Section 196 of the Electric Restructuring)	
Act of 1997, St. 1997, c. 164, § 196)	
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COMMENTS BY
MASSACHUSETTS ELECTRIC COMPANY

These comments respond to the Department’s August 13, 1998 notice of inquiry and order seeking comments in the above proceeding. Massachusetts Electric Company (“Mass. Electric”) is now involved in a proceeding to address valuation and operational issues associated with the sale of streetlights to the City of Haverhill (Docket D.T.E. 98-76). In addition, most of Mass. Electric’s remaining communities, represented by the Massachusetts Municipal Association or directly, have requested information necessary to evaluate the purchase of streetlights pursuant to G.L. c. 164, § 34A (as added by § 196 of the Electric Restructuring Act of 1997, St. 1997, c. 164). Because the valuation of streetlighting equipment subject to purchase and the requirements for safe and reliable maintenance of these facilities are necessary for towns to evaluate the purchase of streetlights, the Department’s notice of inquiry in this proceeding is both timely and appropriate.

These comments set forth the significant valuation and operational issues that we have identified in our discussions with interested communities. Many of these issues are directly

presented in the Haverhill proceeding in Docket D.T.E. 98-76, and additional documentation can be found in Mass. Electric's filing in that proceeding. The issues are as follows:

A. Valuation Issue: The Department Should Allow Utilities to Develop System-Wide Sale Prices for Streetlight Facilities.

In the Haverhill proceeding, Mass. Electric has proposed to establish a single set of prices for the different kinds of streetlights and poles on the system that would be available to any community in Mass. Electric's service territory. The price list is attached to this letter. The price list is designed to recover the unamortized investment on Mass. Electric's accounts of the streetlight facilities that are subject to sale. The system average pricing approach has several advantages. It is fair. It charges all municipalities the same price for the same light fixture wherever that fixture is located. The approach is also consistent with Mass. Electric's streetlight rate design which is based on a system average price, regardless of the age or location of the facility. Finally, the approach is administratively simple, easy to update each year, and produces stable and understandable prices for customers.

The primary alternative to the system average approach to valuation is a town-by-town analysis where the streetlighting plant in each community is separately valued and vintaged, producing different prices for the same facilities in different communities. For Mass. Electric, this calculation procedure is data intensive, costly, and complicated. The additional precision of the town-by-town valuation approach is not worth the cost and complexity of the calculation on our system. The approach also leads to the inherently unsatisfactory result of charging different prices for the same equipment in different communities. As a result, the town-by-town vintaged valuation methodology should not be required by the Department. Rather, the Department should

make it clear that utilities can implement system-wide average pricing for the valuation of streetlighting plant under the statute.

B. Operational Issues: Worker Qualifications and Safety; Pole Attachment Fees and Make-Ready Costs; Sale Terms and License Agreements.

When streetlights are mounted on utility distribution poles, the brackets and luminaires are normally located either in the electric utility supply space between the primary and secondary conductors, or in the safety space located between the electric supply space and the communications cables. Both spaces require that workers and equipment comply with the rules and standards in the National Electric Safety Code and Occupational Health and Safety Administration regulations for work in the electric utility space. These regulations and requirements are summarized by Mr. Anundson in Docket D.T.E. 98-76. In addition, as he explains, the communities purchasing streetlights will have to meet the requirements of the National Electric Code, requirements that have not previously applied to Mass. Electric. Compliance with National Electric Code requirements will increase the costs of the municipalities purchasing the lights.

In addition to worker qualifications and training requirements that are directed at streetlight maintenance, OSHA regulations require protective covering of electric distribution facilities when streetlight work occurs inside minimum clearances from the electric company's distribution system. Thus, for example, Mass. Electric will be required to cover its primary distribution wires when streetlight maintenance is undertaken close to these facilities. In these circumstances, Mass. Electric will allow streetlight crews to maintain the fixture, but will require that Mass. Electric crews wrap the primary or other Mass. Electric equipment. In this way, Mass.

Electric will be able to protect its equipment, the reliability of its distribution system, and the safety of workers. Mass. Electric's crews will also be responsible for connecting new streetlights to the electricity supply system. The activities of streetlight crews will be limited to work on municipally owned streetlight facilities. Thus, Mass. Electric expects a clear delineation of responsibilities between its workers and the workers retained by the community for streetlight maintenance.

In addition to worker safety and associated legal compliance issues, municipal ownership of streetlights on utility owned poles presents the question of pole attachment charges and make ready costs. Mass. Electric proposes to charge communities for any make-ready costs associated with new lights and fixtures or changes to existing facilities requested by the communities acquiring streetlights. In addition, Mass. Electric will charge towns for additional operating costs associated with town ownership such as the covering of distribution equipment or the connection of new lights to the secondary distribution system discussed above. Although pole attachment charges to municipalities are theoretically justified, Mass. Electric has not proposed to charge them to communities purchasing streetlight facilities. Nevertheless, the Department should address this issue directly in its decision in this case, because the payment of pole attachment fees is a cost allocation issue that will affect the economics associated with the purchase of streetlights.

Finally, the communities purchasing streetlighting equipment and attaching to Mass. Electric's distribution poles and conduits will be required to execute a purchase and sale agreement and a license agreement. A proposed purchase and sale agreement is included in Mass. Electric's filing in Docket D.T.E. 98-76 (Ex. TMB-5), and a license agreement that will be quite similar to license agreements with other companies having pole attachments is under

development.^{1/} These agreements will provide for indemnification and address liability for activities associated with the streetlights and provide other terms and conditions of ownership and use. The Department should endorse standard agreements that clearly set forth the rights and obligations of the utility and the communities as part of its review in this proceeding. The Department should also allow utilities to require a clear delineation of geographic areas or streets in which municipalities will be required to purchase all lights. The clear geographic definition will delineate maintenance responsibilities and allow customer inquiries to be quickly and efficiently directed to the responsible party for maintenance.

C. Conclusion.

For the reasons stated, the Department should authorize system average pricing for streetlights and provide operational guidance in accordance with the recommendations set forth above.

Respectfully submitted,
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^{1/}The streetlights that Haverhill proposes to purchase in Docket D.T.E. 98-76 are mounted on dedicated streetlight poles and are not located on Mass. Electric's distribution poles. Accordingly, the final terms of the license agreement are not necessary to complete the Haverhill transaction proposed in that proceeding.